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SONAE MC: THE *ROAD* MODEL OF KAIZEN

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Abstract

SONAE MC: THE *ROAD* MODEL OF KAIZEN

Sonae MC is considered the first success case of Kaizen in the retail industry. Before becoming a true role model for so many companies, there was a long road to walk. However, it may still be hard to understand the steps taken on the way. How could a training program develop into an integral continuous improvement system, and how did it affect the company – its people, culture, operations and strategy? How was it possible to get everyone on board? How could it be sustained until today, when Kaizen usually fails in the West? What were the critical factors for success?

Keywords: Kaizen, Sonae, Retail, Continuous Improvement

NOTES:

The present case is based upon three distinctive perspectives of Sonae MC's Kaizen journey within the company:

- Dr. João Melo, who is today responsible for the Northern Operations Department of Continente, Director of the Training Center and Director of the School of Perishables;
- Dr. Jaime Maia, who is today Sonae MC's PMO (Project Management Officer), and was the head of training at the time the case begins;
- and Abel Pereira, who is the Store Manager at Continente de Telheiras.

The details reported are confined to the most basic Kaizen methods and tools, due to time and space restrictions, since the complexity of more advanced concepts could hinder the comprehension of the facts and blur the project's focus.

Throughout this project, the term Kaizen will be predominant, even though the most common denomination nowadays is *lean management* and Sonae's denomination for its own continuous improvement system is IoW (Improving our Work).

Purpose of the Project / General Overview

The present Work Project was written as a case study, analyzing the introduction, implementation and evolution of Kaizen and its tools at the Portuguese company Sonae MC, and the impact of such measures. It is intended to be used as class material in management- or business-related courses (namely Organizational Behavior, HRM and Positive Organizations), hence complemented with a Teaching Note document.

Kaizen is a Japanese word referring to a philosophy of *continuous improvement* and *change for the better*. It has been applied to business in the past three decades, but success cases in the western world are much more recent and still rare. Today, Kaizen is mostly referred to as *lean management* – aiming at maximizing customer value with fewer resources and while minimizing waste.

At Sonae MC, Kaizen thrived essentially thanks to five critical factors¹: (1) *Leadership*: since the very beginning, the Kaizen Institute has warned that the essential factor for a continuous improvement program to be successful is top-management participation, and there was, in fact, an active sponsorship of Sonae MC's top-management; (2) *Concept simplicity*: the simplicity in tools for problem-solving and process improvement boosted the acceptance of the new methodologies from the various teams and employees; (3) *Openness to change*: a positive environment has contributed to the overcoming of resistance from employees; (4) *Contagion effect*: fostering the sharing of information and experience from store to store motivated a healthy internal competition and leveraged continuous improvement initiatives; and (5) *People*: who were not afraid to try, who accepted challenges and who did not block the processes for change.

SONAE MC: THE *ROAD* MODEL OF KAIZEN

Upon planning the training program for 2007, Dr. Jaime Maia, the head of training at Sonae MC (still named Sonae Distribuição at the time) was out of options. It would not be possible to provide 35 hours of training to each one of the nearly thirty thousand employees; freeing them up for that amount of time would decrease the business' productivity. He was running out of time to present a solution...

Testing the waters back in the nineties

Following a changing competitive environment, Sonae MC realized that it would either do everything more efficiently, or the margins would not be enough to sustain the business results – it was the beginning of improvement initiatives and more *healthy* processes (at the time no one talked about *lean* or *continuous improvement*): it started looking for more appropriate methods, for ways to reduce stock and handling, to shorten the supply chain, the time and volume of the goods. A major improvement in that decade was the centralization of merchandise, which not only eased the job for suppliers but also made it much faster and efficient for the company to transport and distribute the products among its stores, reducing out-of-stock situations straightaway. As time went by, Sonae MC undertook several experiments with consultants and other companies to find better ways for its operations and general performance, but as much as they tried to provide answers, all they could do was prescribing theoretical solutions based upon vague evidences of problems.

An intertwining of events

In 2006, two well-suited and fortunate events took place. The Portuguese government required that all companies provide 35 hours of training per year to all its employees, starting the aforementioned year. This was, of course, very challenging for Sonae MC to comply, as it was the largest Portuguese employer, in a labor-intensive industry, and it could not afford to provide that amount of training. The company needed a creative response to this new regulation. Until that

moment, it had been able to provide 16 hours per employee (two days of training) and on-job training, based on its so-called PDE (*Programa de Desenvolvimento de Equipas*).

Dr. Jaime Maia and the HR department were desperately looking for help to develop an appropriate training program, targeting food retail and operations. As a twist of fate, when time was almost up, around the summer of 2006, Dr. Jaime Maia, was handed a training brochure of the Kaizen Institute from a colleague in logistics, and it fidgeted him. Could not only developing the workers but also changing the workplace be the right approach for Sonae MC? It would imply much higher expectations and attention than any conventional training plan... But it could be something the company needed to strengthen its position in the market; it could be a way to actually address two issues at once.

Thus, in November, the first meeting with the Kaizen Institute happened and a small diagnosis was made in a few stores. The conversation was meant to design a training and team-development plan, supported by Kaizen methodologies, but it was also explained how Sonae MC was overlooking its problem, how chaotic some operations were, and that it was possible to increase the business' productivity if it rearranged the structure of its processes and procedures upstream (warehouses and management) and not only looking at that downstream (at the store). In order to validate the relevance of such opportunity, sponsoring from the COO was crucial, so a second meeting took place, gathering him, the head of HR and the head of training – Dr. Jaime Maia himself. It started out noticeably hard, as the company had always been successful and was market leader, with its well-established and strong personality, and everything those consultants said was very new and abstract – and, literally, Japanese – and it was tough to admit they could actually help, efficiency wise. Managers and directors at Sonae MC felt offended by the Kaizen Institute's statements and criticism, but ended up ceding and recognizing that it is important to hear and accept the truth in order to be better. There was, at the time, some pressure from the CEO for a rehabilitation of the warehouses, but Sonae MC needed proof that Kaizen was the way – the only possible approach

would be going to the field (the *gemba*, as it is known today), for those consultants to see the company's methodologies in action and concretely check if there was something they could do to improve it. Then, an experimental first training would be provided to managers, and only if it proved to be a success would it be extended to lower levels later. This instigated some level of risk, because if it turned out not to work, there would be no training plan to comply with the legislation. However, the bottom-line question was troubling: could Kaizen be applied to a non-manufacturing company? It had proven to be a success in the automobile and manufacturing industries, but could it be done in retail? A company in this industry is more complex; even subtle changes in the environment may have a major impact on customer behavior... One thing they understood was the improvement would require non-visible and non-disruptive ways at first, especially if it would start as a trial, with no assured results.

The day it all begun

It was the early morning of January 25, 2007, at Continente in Gulpilhares – and history was made at Sonaeⁱⁱ. This seminar involved the COO of Sonae MC and his team, along with Eng. Alberto Bastos – board manager of Kaizen Institute Iberia – and his crew, who went to the warehouse to figure out what *value-added* and *waste* (or *muda*) truly meant (back then, people at Sonae MC did not know that they did not know). Warehouses and stores were severely disorganizedⁱⁱⁱ. As the meeting evolved, opinions like “*some ideas do not apply to our reality*” and “*it is hard to maintain this concept of improvement in such a turbulent process*” arose, but, as one manager commented, if they wanted to do something, they had to *come down from their high heels* – an illustration for disregarding Sonae MC's success and professionalism for a minute, being humble and giving Kaizen Institute the benefit of doubt. It may seem nonsense to start a process of continuous improvement in a successful company, but it is not – there is always opportunity to improve; it is just not as easy to accept that.

Slowly, they started to see the light, to understand that everything could be done with method. This

day declared the beginning of the *Silent Revolution*^{iv} – the backstage of Continente stores were about to radically change. The partnership with the Kaizen Institute was then made, and Kaizen would begin being implemented, gradually.

Moving on to action

The warehouses were the place where more potential for improvement could be found and the quickest and most effective results could be achieved. It started out with small steps and basic stability: rearranging and organizing the workplace through 5S^v (or housekeeping) – maintaining things organized, clean and in place –, visual management^{vi} and improvement and standardization^{vii} of some work processes^{viii}. Axioms as “*a place for each thing and each thing in its place*”^{ix} and “*continuous improvement is better than delayed perfection*” started to make sense and were increasingly resonating on peoples minds. Kaizen was suddenly being inculcated and absorbed by people at different levels in the company. A set of simple and practical activities, enabling a low-cost approach (as no significant investment was needed) was enough to change Sonae MC’s future – differences were noticeable immediately and although the transformation was still invisible for customers, it improved employee morale right away.

The first training seminars targeted leaders in the organization and covered basic Kaizen principles, concepts and tools (as the ones mentioned above, and *just-in-time*^x for example), afterwards progressing to observing operation processes in the *gemba* and suggesting opportunities for improvements.

Right after basic stability, the various Continente units throughout the country internally shared^{xi} their accomplishments in the warehouses, with images and signage, to find out the best ways to keep things in order and to communicate and perform more efficiently. Each unit analyzed what the others were doing and replicated it for itself, and then tried to do even better, out of pride.

At the end of the day, it was clear that Kaizen is not something exclusively linked to manufacturing and that it evolves and adapts according to the needs and characteristics of each organization and

industry, once it decides to implement it and take advantage of its many beneficial outcomes.

Driving forces

As the surrounding environment was changing, Sonae MC got a clear understanding that the methods that made it successful once could not be effective forever and there had to be a turning point, a shift in its path. The government requirement only came to boost this shift, as an out-of-the-box solution should be sought. After opting to try the Kaizen approach to solve the mandatory training issue, it almost accidentally discovered the positive impact it could have in the company if further applied. People at Sonae MC ended up realizing they had to adjust the way things were done, by constantly improving and reinventing, keeping pace with changing needs and continuing to seduce the customers.

Continuous improvement came to Sonae MC, in its deepest purpose, as a response to its operational needs – as a constant effort to be better (in products, services and processes), using an effective combination of techniques and attitudes, based on *muda* elimination and value added. Kaizen was found and considered because of training, but actually implemented for the sake of operations.

Some priorities were to reduce stocks volume, out-of-stock shelves, work accidents (which used to happen in a non-acceptable amount at the time), and inventory shrink^{xii}. From 2007 to 2010 all these indicators improved significantly^{xiii}, along with the P&L account of the business in store operations – the cause-and-effect linkage was obvious.

A people-centered process

Sonae MC never lost sight of the importance people have: employees on the backstage, and customers at the stores. And in order to maximize customer satisfaction, it is crucial to have the best-prepared employees, working in the best possible way, in the best possible environment.

It is known that organizational transformation in the western world typically comes hand-in-hand with opposition. And with processes of change of this kind – gradual change that should later

convert into corporate culture, to be the DNA of a company –, even more when it is about continuous improvement – a journey that should start and never be interrupted, abandoned or finished –, resistance is always present, but more evident in the initial stages. Leaders and managers' first reactions were not favorable^{xiv}, and they attended the initial training vexed. Also, the western culture expects frontline workers' hostility to be even tougher, since the top of the organization usually knows better the project's objectives, implications and theoretical results – and, here specifically, it is actually in touch with the Kaizen Institute. Western workers rely much on *how things have always been done*. In fact, how can people be indifferent to such a transformation in their workplaces, working processes and organizing methods? How can managers and leaders show them that the change is necessary and that it will be better if nearly everything is made differently? It was vital to win over the resistance...

Nonetheless, the instant visual order, that emerged as quickly as no one anticipated, was the first deterrent of those controversial opinions. People liked what they saw since the very beginning – with an upgraded control of space and operational processes –, as the workplace was becoming cleaner, better sorted and organized, in a *healthier* and more qualified atmosphere^{xv}.

The success among employees for the adoption of Kaizen involved 4 essential conditions:

- 1) Training was provided to the teams, complying with the imposed 35 hours. *Training* means to enable and to empower people. Employees were initially instructed, in several sessions, about all the basic fundamental tools^{xvi} to start Kaizen activities. An effective challenge was to do it with *natural teams* (leaders with their teams, as the head of operations and his store managers) and then cascade it down to managers of specific areas, providing PDE as a guide for practical application, since part of the training was theoretical and the other was on-job (in the *gemba*, observing, seeking opportunities for improvement and solutions in real time). Doing it in natural teams was a way to commit and involve managers. These features of training constituted the first condition to engage employees, and it happened smoothly. It is relevant to note that from that moment until

2014, more than 2 million hours of training took place, reaching circa 22000 employees, and gradually increasing the span of content and complexity.

2) Another key feature that helped overcoming resistance – and even generating enthusiasm instead – was the involvement and inclusion of *everybody*. When Kaizen is defined as *continuous improvement, by everybody, everyday, everywhere*, this “*everybody*” recognizes every employee’s value and validates their opinion. In truth, people in the *gemba* are more pragmatic and know more about the store’s concrete processes, products and clients than anybody else upper in the organizational hierarchy – that is where the *action* happens, where customers interact with products. Therefore, shop floor workers were invited and expected to be as present as managers in this continuous improvement adventure.

3) What moved the company to undertake such a journey were not business indicators, but rather a focus on specific principles, attitudes and tools that ease day-to-day activities, centered on people. Of course the fundamental goal of Kaizen methodologies is to reduce waste and increase company value, and that implies improving specific indicators and monitoring their progress – but Sonae MC had had good results, and its alternative driver approach endorsed the mobilization of many people into the process.

4) Lastly, and very relevant for sustainability, audits started taking place on the second year of Kaizen activities, intensifying in 2009, in order to evaluate not only indicators but the processes as well. Audits function as a culture stabilizer, as they are a means to assess how well and evenly the Kaizen culture is being assimilated. This kind of evaluations reinforced people’s and teams’ capacity to adhere to the new mindset. There are different types of audits – internal, external, planned, unpredicted –, and it is worth referring the *master audits*, carried out by the Kaizen Institute, through which any store can be audited during a period of 9 months. This implies teams have to be attentive, proactive and engaged everyday, since there is no defined date and thus no opportunity for preparation. Until today, more than 2500 audits have taken place at Sonae MC, in

the context of operations alone.^{xvii}

On doing Kaizen, it is crucial to know how to prevent the degradation of the *gemba*. It starts with having the *gemba*-team trained, lucid and prepared, as much as it can be, always concerned about eliminating *muda* and incurring in the minimum amount of errors possible, being Kaizen-conscious everyday, everywhere in the company. As soon as people get the benefits of behaving Kaizen, they will instinctively keep on doing it and wanting to outperform themselves day in, day out.

What goes around, comes around

When a company, its leaders, and even the teams themselves devote strong attention to the employees, they can only expect motivation and commitment back. As a matter of culture, Sonae has always had a deep respect for its people; its employees truly count for the company – without them, it does not run. The shop floor is really part of the projects, and not just a place where the higher positions implement and impose measures and processes. Workers feel the company cares about them; they feel a leadership style of participation, collaboration and involvement is actually in place; people can trust and be trusted. When a process of continuous improvement is implemented by the workers themselves – organizing their workplace, eliminating what does not matter, thinking about the processes, and actively and voluntarily participating –, a feeling of self-accountability arises, alongside immediate tangible benefits – more order, less conflicts, more collaboration... Furthermore, *gemba* Kaizen yields so highly visible results that employees are the ones that profit from the benefits earlier in the organization. And this was enough for people to believe; to have proof that Kaizen pays back, even before the project was presented to the board (which happened only 6 months after it took off in operations).

In addition, since the beginning of Kaizen, there was a requalification and upgrading of the facilities^{xviii} for everyone. As a small deed as it represents, it was really appreciated and approved as a sign of an upcoming era of transformation *for the better*.

The way Sonae MC gradually and prudently adopted Kaizen enabled a feeling of shared success among the company as a whole. Managers provided training and support, while the tangible changes could be suggested, designed and implemented by the workers, who had more authentic and valuable knowledge about daily tasks. One of the managers' roles was to challenge their employees to find ways and solutions to specific objectives, guiding them when needed but letting them think by themselves, leading to a sense of ownership among frontline workers, and enhancing their skills development.

In addition, there was something Dr. Jaime Maia calls the *double agenda*: a tacit partnership between HR and operations in the leadership process that sustains a continuous improvement journey – leaders must see Kaizen as part of their responsibilities, in *what* they do or *how* they do it, and not as something to add to their agenda. So what happened was that every head of operations, since the beginning, attempted to go beyond what was established in the agenda, and wanted to do faster, more, or better than their peers – when there is more than one leader for the same process, there will be competition. This can be seen as a hidden part of their agendas that leveraged the implementation of Kaizen as a very important contagion wave. It established an internal benchmark very early in the process, in a huge operational structure, that kept being upgraded through inter-store communications and visits.

After the first year, overall employee satisfaction had greatly raised, partly as a result of better planning, a friendlier visual environment and increased transparency, which allowed to complete tasks with less effort, less stress, and in less time. Productivity improved, stocking got more efficient^{xix}, and stores became visually more pleasant.

However, the difficulty of doing Kaizen individually cannot be disregarded. It seems easy once people get accustomed, but it implies a series of assumptions on behavior, mindset, respect for the work, the processes and the *gemba*, subordination to discipline, compliance, and pride in doing things the best way possible – which are not natural or innate in the western culture. Hence, it may

turn out to be exhausting; people may feel molded by pre-established rules for even the smallest detail or action. It requires self-discipline and persistency in a very high amount, predisposition to conform, keeping in mind the benefits it represents as a motivator.

It is logical to infer that, through Kaizen, there is a mutually beneficial relationship between employees and the leadership of the company – it is of utmost importance that employees feel what is good for the company is good for them too, and the other way around as well. As a matter of fact, top-management is expected to involve and appreciate all employees, to clearly express and transmit the benefits Kaizen will have on their jobs, and to provide training and support. In turn, engaged and motivated employees will enhance a company's performance, even more with a suggestion system in place, through which anyone can contribute to improve daily activities and processes – not only advantageous for the ones executing the tasks, but also for the overall productivity and efficiency, reducing various types of waste and, consequently, associated costs.

A concrete look at training...^{xx}

Sonae MC has always, of course, provided training to its employees – but prior to 2007 it fundamentally covered technical aspects as the art of selling, food safety and hygiene, materials handling, butchering, and so on (which are obviously still very important matters); it was limited in a sense, in terms of time, content and form. From the moment Kaizen was adopted, efficiency and continuous improvement were added to the training and development portfolio, through initiatives as shop floor courses, on-job training, diverse workshops and structured problem-solving sessions. There has been a whole focus on Kaizen-specific language ever since. Also, the teaching methods increasingly turned to audiovisual and multimedia means, breaking location barriers and time constraints, in an evermore virtual and mobile quotidian.

Concerning compensation – and to strengthen commitment and motivation from employees –, its variable part came to include a set of KPIs related to efficiency and continuous improvement, especially dependent on audits' results, as integral part of support methodologies of Kaizen.

Everyone in the company came to feel a duty for behaving, thinking and disseminating Kaizen, which was facilitated by the top of the organization.

For the employees who were part of Sonae MC before Kaizen emerged, the acceptance and subsequent engraining of a new culture was gradual and sometimes hard, as any conversion process should be. On the other hand, for people joining the company post-2007, it was easier. Newcomers are enlightened, during the integration process, of how work should be done, how others behave and relate, how value is added, without ever knowing the preceding ways – people automatically learn a common language, as well as formal and informal standards. Who arrives to a company on a context of Kaizen will have a hard time living without it in the future.

Diffusing the Kaizen culture

According to Dr. Jaime Maia, three chapters may be identified on the implementation process of Kaizen at Sonae MC: the first one is *Convincing*, by communicating, explaining, and encouraging people; then, comes the *Consciousness of the Improvement Process*, through training, doing, deepening and validating; and finally there is the *Maturity* stage.

The 2007 one-year commitment for a training program has not come to an end after all. Learning fast and doing fast are characteristics that people from Sonae attribute to the organization – and this enabled the company to see positive results very quickly. People went on board, pursued the mission, enjoyed it, and the results only came to reinforce this thirst for continuous improvement. Everyone, even shop floor workers, felt ownership of the ongoing changes, as they could – and should, in fact – make improvement on their own.

In 2008, the continuous improvement project on operations was renamed to SIM (*Sistema de Implementação de Melhorias*) and was presented at Sonae's General Company Meeting^{xxi}. Following the consciousness and the deepening of the ongoing process of Kaizen, there was a sponsorship and recognition of Sonae MC's efforts – which generated also responsibility, in the sense that if the company proudly shows its achievements, it must continue to deserve admiration.

Sonae MC started to be recognized internally, as a *role model* sub-holding, and becoming an evidence for the holding that Kaizen was the way – today, Sonae as a group sees it as an inevitability^{xxii}.

In the course of all these years, Sonae MC was awarded several internal and external prizes^{xxiii} for its success in doing Kaizen. Plus, since 2009, dozens of companies (either from the retail industry or not; and even the Portuguese Air Force!) have visited Sonae MC's store operations to learn and see how it is possible to do Kaizen this successfully.

Tuning Kaizen progress and route

The process of continuous improvement can be broken down into different categories of improvement: on one extreme, *incremental improvement*, and on the other, *disruptive improvement*^{xxiv}. During the three or four initial years of Kaizen, Sonae MC focused on the first edge, centering the attention on natural teams, competencies and support for the whole system to thrive. As declared by Dr. Jaime Maia, the years of 2008, 2009 and 2010 have been characterized within the company with 3 Cs: 2008 was about *Consolidation*, 2009 *Certification* (for example, through audits), and 2010 *Consistency*. This instituted the idea that, in order to build a solid continuous process of improvement, the company had to go slowly, gradually, and ensure a global internalization of what is the basis of Kaizen, before moving on to new ventures. It is important to hold back the rush to try new tools and to go faster. As one of the Kaizen Institute's maxims goes: *consistent processes lead to good results*.

Once Sonae MC felt it was *breathing* Kaizen everyday, it was time to expand the reach of continuous improvement and process innovation initiatives to all areas. New tools were introduced; all workers were involved; a Kaizen language invaded the whole business. This rapid diffusion implied simultaneously a stronger leadership involvement and increased worker autonomy to make improvements. Daily meetings were scheduled, pilot stores opened as showrooms of improvements to spread successful new solutions, and the spirit of internal competition for

continuous improvement rose. Every Continente store has come to be expected to operate according to common standards, for a unifying strategy.

After three whole years of Kaizen, it was time to establish a balanced scorecard with objectives^{xxv} for corporate performance (both monetary and non-monetary), to ensure continuous improvement was aligned with the company's strategy and to measure and monitor its progress and impact, according to established benchmarks for key metrics.

To manage the rapid influx of new improvements, the MMI (Method of Managing the Improvement) was introduced and an evaluation committee was created, establishing a ranking system for improvements.

As 2010 came, operations could finally start thinking bigger and expand in the Kaizen universe of action. Until that moment, the time had been spent on correcting and adjusting processes, eliminating waste, adding efficiency and quality. But when those tasks were fully exploited, the following step was to try to do *different* instead of just *better*, by thinking out-of-the-box and reaching innovation. An actual system was born, new tools were introduced, several projects^{xxvi} took off and prototypes^{xxvii} were built, mainly in what concerns logistics and warehouses. This was refreshing for employees, somehow reviving their enthusiasm.

From Kaizen and a sole training plan, Sonae MC evolved to its own system SIM (in an initial stage complemented with a small “K” (from *Kaizen*), but then reformulated to drop it, symbolizing maturity and capability to handle the journey as integral part of the company)^{xxviii}. Continuous improvement kept evolving and was adopted by other areas of Sonae, and in 2012 IoW – *Improving our Work* – was born as an umbrella for the whole group, that had decided that systematically focusing on improvement processes proved to be extremely advantageous. Sonae found, hence, its own meaningful identity for the way to improve everyday, with all employees, in all areas, in order to maximize operational efficiency and customer satisfaction, with a specific mission, vision and strategy^{xxix}.

“Luck takes a lot of work”

“Everything started as a training program, then it became a project, and now it is a companywide system that keeps on improving.”^{xxx}

As internal recognition of the success of a Kaizen strategy spread-out within Sonae as a whole, it started to be adopted in all holdings, progressively. It is safe to attribute the fruitful implementation of this continuous improvement model to a high involvement, belief and commitment from top-management, allied to a firm persistency and willpower, a joint effort embracing the Kaizen culture and unwillingness to quit, and an unceasing cooperation with the Kaizen Institute – Sonae (and more precisely, Sonae MC) was not prematurely convinced it had become *sensei* (i.e. that it mastered the art of Kaizen). Top-managers were the change-leaders and their role from that on turned to emphasizing that there is no endpoint – “*it is not good yet, let’s improve even more*”.

Since the beginning of this journey, a governance team was established, meeting every three months to check, revise and monitor all KPIs in the implementation of the new strategy. Top-management starts the change, projecting future value, communicating and motivating all employees – it has to earn trust.

One may think Sonae MC was *lucky* for its effective adoption of Kaizen, as numerous other companies tried it and failed^{xxxi}. But the truth is, as a store manager, Abel Pereira, once said, “*luck takes a lot of work*”.

The most significant difference that makes the Kaizen Institute’s consulting the one thriving in efficiency and continuous improvement is that the typical consultants may support the company and understand what needs to be changed, but do not provide real instruments for action – they mostly *delude* their clients. Kaizen, however, consists in a series of simple tools, as easy *magic tricks*, that instead of creating an illusion, create reality. Something as simple as 5S is really effective – but the people in the company must be disciplined and persistent enough to use these methodologies on a daily basis. Moreover, the Kaizen Institute’s services are not one-time events –

even today, after eight years, Sonae resorts to the Kaizen Institute to clarify any doubts it may have or to activate any specific knowledge.

“More than a methodology, this is a way of life”^{xxxii}

“Sonae MC was the first and only major retail chain to achieve such a level of Kaizen proficiency.”^{xxxiii} It says that this is the first case in retailing of a constant and ongoing application of continuous improvement methodologies, sustainably, worldwide. To do Kaizen, besides all the efforts previously mentioned, implies a propitious environment – and Sonae MC was fortunate about that. Continuous improvement is a process that deeply uncovers a company’s management and leadership weaknesses, and it has to be willing to accept that.

It has been almost a decade of joint effort and a comprehensive culture change, with very positive results and improvements in key measures^{xxxiv}, such as productivity and sales, stocks, losses, returns and leftovers, work schedules and shifts – ultimately leading to a higher level of customer service and ensured future competitiveness. Moreover, a companywide formal conceptualization^{xxxv} and implementation of the model is currently taking place.

But no success comes without some critical difficulties. As Dr. Jaime Maia explains, a process of change, as Kaizen, implies convincing people, and not just at the beginning – it must be constant, because the process will fail if energy and persistency fail, if there is not enough passion or a meaningful direction. And this is hard not only to achieve but also to maintain. At any point over time, in spite of success, the long marathon the process represents may be wearing, overwhelming or frustrating, and implies endurance, revitalization and support, or else it may gradually collapse. Also, in order to evolve within the process, people need the ability to accept and take advantage of positive as well as negative remarks; they must be conscious. Regarding the double agenda mentioned earlier, there is also a downturn there for the process: although it is good that everybody puts their energy and leaves their mark in it, some people may end up taking too much ownership and becoming too sensitive about it – they must be aware that continuous improvement is a

democratic process, and not *individualistic*; everyone should be part of it, but in a collective context. Kaizen is both a top-down and bottom-up process, and one side of the loop must support the other – they are continuously and mutually dependent.

Consistent market leadership

“Our culture and union are what makes us stronger and more distinctive today and that will maximize our potential for the future.”^{xxxvi}

Sonae MC has been market leader since 1987 – Kaizen did not change it. Nevertheless, the adoption of the methodology allowed to gather the conditions to sustain, consolidate, reinforce and perpetuate that leadership position, which is something to fight for everyday, to beware of. Kaizen was implemented at the right time, and made the company hypersensitive and lucid towards its waste and its efficiency. Surely, Kaizen alone is not enough – although Sonae has performance indicators of international benchmark and business indicators among the best in the world^{xxxvii}, in the big picture, it is a small company, still confined to Portugal.

The world and the market are so demanding and competitive to a point that if a company does not analyze and improve its processes, reduces waste and creates value, building a competitive advantage, it will have a hard time surviving. As a supermarket chain, Sonae MC is a small/medium retailer internationally – but what do competitors do of structured continuous improvement? Actually, nothing – as stated before, Continente stores are a destination for many international companies looking for learning about Kaizen; it is not usual for a supermarket to *speak* Kaizen. A supermarket is usually simple in its core: shelves with products, communication and good-quality relationship with customers. But for Sonae MC, it is also about organization, order, cleanness, efficiency, a pleasant environment for workers as well as for customers. Worldwide companies aspire to this, and Sonae MC can proudly explain that its strategy relies on Kaizen – for which it has its own denomination, *Improving our Work*.

Time for some reflection

Today, eight years through Kaizen at Sonae MC and three years through IoW at Sonae as a group, Dr. Jaime Maia has been busy helping in the development and formatting of the official IoW Model, soon to be approved. Sonae aspires to make IoW a global process, covering all areas and macro-processes. This entails an effective alignment of top-management, coherence and specificity to induce change and, even more, continuity, leading by example.

As he looks back into this big journey, Dr. Jaime Maia imagines where would the company be if Kaizen had not happen... Would it have lost market leadership? It was a relief to find a training approach that brought so much more than training to Sonae MC. It changed and enriched the way employees work and are prepared. It improved the processes in operations and logistics, increasing productivity and efficiency. It enabled a clean, organized, agreeable environment. It made the company a role model, not only for the way it operates, but also for the road it walked to get where it is today.

“Living this process, trying to have an ‘enzyme’ role in it, takes a lot of energy and persistency, both to feed it and to accept positive and negative feedback”, he said.

It is time to look for new challenges, which Dr. Jaime Maia believes help boosting the system as they bring a fresh *breeze*, a new oxygen that encourages the teams – after hard work and consolidation of implemented changes, there is a moment when people should be able to look ahead of their feet and *aim for the stars*.

The endless process of convincing people at this moment targets some areas of the group – especially where it is harder to see results or to understand advantages of doing things differently – and, for instance, marketing people and technologists, to explain that it is possible for them too to do Kaizen.

Dr. Jaime Maia has expectations about taking the leap from improving *processes* to directly improving *quality*, and from a team-scope to an organization-wide and value-chain extent.

With a Kaizen strategy firmly in place and an overall mindset of continuous improvement, Sonae MC is prepared and attentive to face the future, whatever it may be, and to explore new opportunities – *“People are more receptive to change, to disruption, and accept easily the changes imposed by an increasingly competitive market”* – asserts Luís Moutinho, Sonae MC’s CEO.

APPENDIXES

Sonae's Continuous Improvement System – Improving our Work

At Sonae, the principles of continuous improvement are:

- creating value for the customers
- eliminating waste (*muda*)
- involving employees
- going to the gembu
- visual management

Early since the adoption, a lot of hope was put on Kaizen. It is visible even at the training poles, as the one at Continente de Telheiras, where different rooms are used for different Kaizen-related objectives – training, planning, etc. – and every wall displays relevant information for a better daily Kaizen. (See Pictures 10)

IoW model's foundations are Daily IoW (where *daily* stands for *frequent*), IoW for Management Teams, IoW Project and IoW Support. Daily IoW is implemented in natural teams and aims at making them autonomous, increasing motivation and establishing a culture of continuous improvement. It starts with basic stability, comprises additional tools as problem solving through 3C, Standard Work and Process Mapping (see *Teaching Note document*), and includes 4 levels: team organization, space organization, work standardization and process improvement.

ⁱ According to Sonae MC (source: PowerPoint presentation provided at *Continente de Telheiras*).

ⁱⁱ See Picture 1.

ⁱⁱⁱ See Picture 2.

^{iv} Designation from Masaaki Imai's book, *Gemba Kaizen* (see *References* on the *Teaching Note document*).

^v *Sort, straighten, scrub, systematize* and *standardize* (in the English version) – a checklist to achieve greater order, efficiency and discipline in the workplace. Way of establishing visual order in logistics and, later, on the stores' aisles, by cleaning and organizing the workplace, identifying key sources of waste. (See *Teaching Note document* for a more detailed definition)

^{vi} Visual and clear display of all relevant information and materials to understand the current state of operations, both for workers and managers. (See *Teaching Note document*)

^{vii} Documentation of the *rules* that establish the best way to do a job. (See *Teaching Note document*)

^{viii} Basic stability begun with the *3x3x3 Program*: 3 areas (food, textile, bazar), 3 processes (stocking, replenishment, backstage management), 3 tools (5S, visual management, standardization)

^{ix} **See Teaching Note document** for more information about the axiom.

^x **See Teaching Note document** for definition.

^{xi} At Sonae MC, today, some main internal communication channels for sharing information are the Newsletter IoW, the IoW website and organizational events.

^{xii} Depreciating stock, dropping commercial value, or that is destroyed, stolen or broken in the disorder or the warehouses.

^{xiii} Data to support the statement was asked to Sonae but was not provided.

^{xiv} For example, as the COO said when the Kaizen Institute first brought pictures illustrating the operations in the warehouses: “*I’ve seen these pictures for the last 25 years; I want solutions, not problems*”.

^{xv} **See Picture 3.**

^{xvi} Basic stability, 5S, 3C, visual management, *muda*...

^{xvii} **See Picture 4.**

^{xviii} As lavatories and social rooms.

^{xix} Data to support the statement was asked to Sonae but was not provided.

^{xx} **See Teaching Note document** for information related to training at Sonae.

^{xxi} **See Picture 5.**

^{xxii} According to Dr. João Melo.

^{xxiii} 2008 – FINOV, an innovation prize, created about two years before, awarded to SIM; 2011 – *Excelência na Implementação de um Sistema de Melhoria Contínua*, a prize sponsored by Kaizen Institute; 2012 – appears as a success case on the book *Gemba Kaizen*, from Masaaki Imai; 2014 – *Embaixadores de Melhoria Contínua*, another prize from the Kaizen Institute, awarded to the operations.

^{xxiv} **See Diagram 1.**

^{xxv} Internal website whose main objectives were the standardization of recording format and continuous focus on internal benchmarking. Examples of objectives to support the statement were asked to Sonae but were not provided.

^{xxvi} Based on acquired knowledge and after long meetings, plans and brainstorming, projects for logistics were developed, with multidisciplinary teams at pilot-stores. For example, the first main internal logistics’ projects were IFL (Internal Food Logistics, or *LIA – Logística Interna Alimentar*) which led to stock reduction (14%*), decrease of inventory shrink (11%*) and productivity increase (17%*); INFL (Internal Non-Food Logistics, or *LINA – Logística Interna Não-Alimentar*) which also enabled stock reduction (31%*) and productivity increase (31%*), as well as a rise in campaign sales (20%*); MLM (Manufacturing Logistics Model, or *MLF – Modelo Logístico de Fabrico*) which helped in stock reduction (17%*) and decrease of inventory shrink (4%*) too, and an overall rise in sales (2%*) of related products (as bread). (**See Picture 6**) Also, more than 100

ITs (*Instruções de Trabalho*, or job instructions, explaining steps with words), 200 OPLs (explaining tasks with images), 1000 standards (from that moment on, the way a task should always be done – it is the easiest, simpler and safer way of execution) and 2000 audits were created. (See Picture 7) *Results obtained in 2010 at pilot stores.

^{xxvii} See Picture 8.

^{xxviii} See Picture 9 for the logos.

^{xxix} Mission: to implement a culture of continuous improvement that allows to achieve world class results. Vision: continuous improvement is the key pillar of Sonae's culture and work; it is the philosophy that supports its way of thinking and rethinking; it is the key to best serve its clients and keep growing; it is the method to do well, without waste, with more quality and productivity; it is everybody's attitude everyday, in all areas; more than a moment, it is a movement that enhances everyone's participation in continuous improvement processes, making Sonae an international reference. Strategy: to have a continuous improvement model that works as a mold for all sub-holdings, showing the *how* and allowing each businesses to choose the *what*.

^{xxx} Eng. António Manuel Costa, Keynote speaker from Kaizen Institute Portugal.

^{xxxi} According to Dr. João Melo, Eng. Euclides Coimbra, Managing Director from Kaizen Institute Iberia, stated that “*more than 90% of the companies do not have any system of efficiency and continuous improvement*” and that “*more than 80% of the companies that tried to implement any kind of system failed in the process*”.

^{xxxii} According to Eng. Manuel Fontoura, from the Logistics Executive Committee at Sonae MC, at the time member of the Board of Directors.

^{xxxiii} In Masaaki Imai's book, *Gemba Kaizen* (see *References* on the *Teaching Note* document).

^{xxxiv} Data to support the statement was asked to Sonae but was not provided.

^{xxxv} See Diagram 2 for the elements of the IoW Model, referring to Sonae as a group (all sub-holdings).

^{xxxvi} In a Sonae brochure from 31 December 2014, available on Sonae's Institutional website (see *References* on the *Teaching Note* document).

^{xxxvii} According to Dr. João Melo. Data to support the statement was asked to Sonae but was not provided.

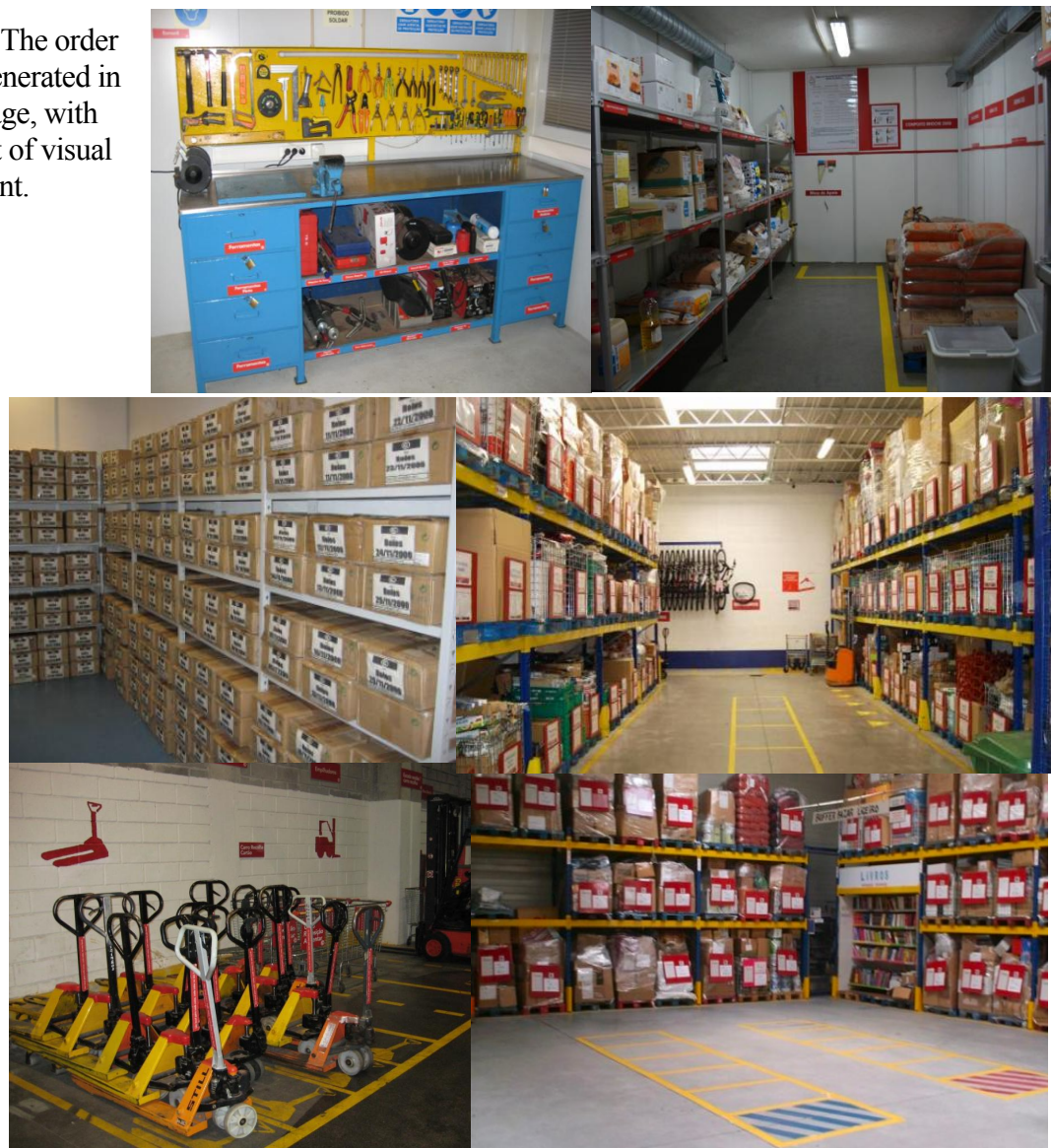
Picture 1: The morning at Gulpilhares.



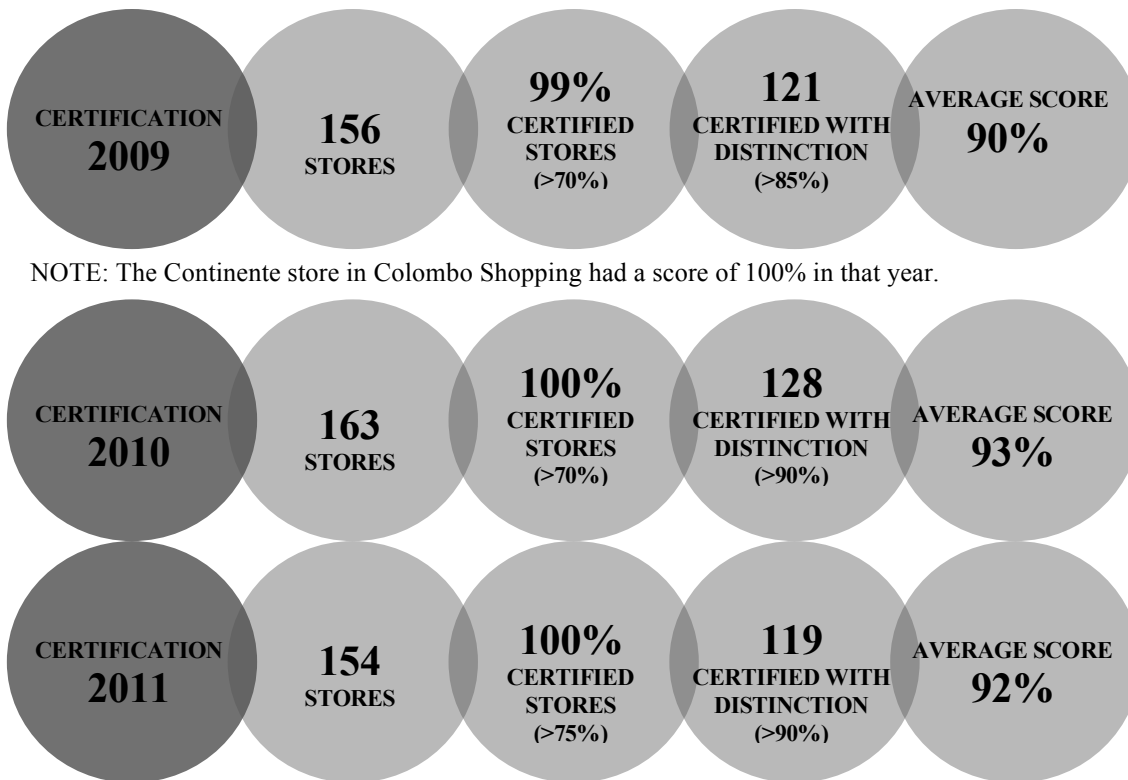
Picture 2: When the Kaizen Institute first went to Continente: 80% *muda*; massive disorder in the warehouses (bottom left and top pictures); people were clumsy and naïve in the replenishment process (bottom middle and right pictures).



Picture 3: The order that was generated in the backstage, with the support of visual management.



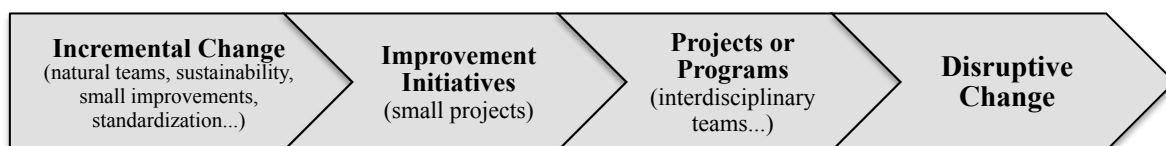
Picture 4: Audits' results.



Picture 5: Presentation of SIM in 2008.



Diagram 1: Levels of improvement.



Picture 6: MLM and visual management in the backstage of the Continente's bakery:



Picture 7: Examples of IT, OPL and norms for the MLM. Also, the OPL related to hand washing:



Picture 8: Some innovations and prototypes were created as Sonae MC evolved within its Kaizen projects – for example, for faster and easier replenishments in stores, equipment with wheels and a stepladder were built.

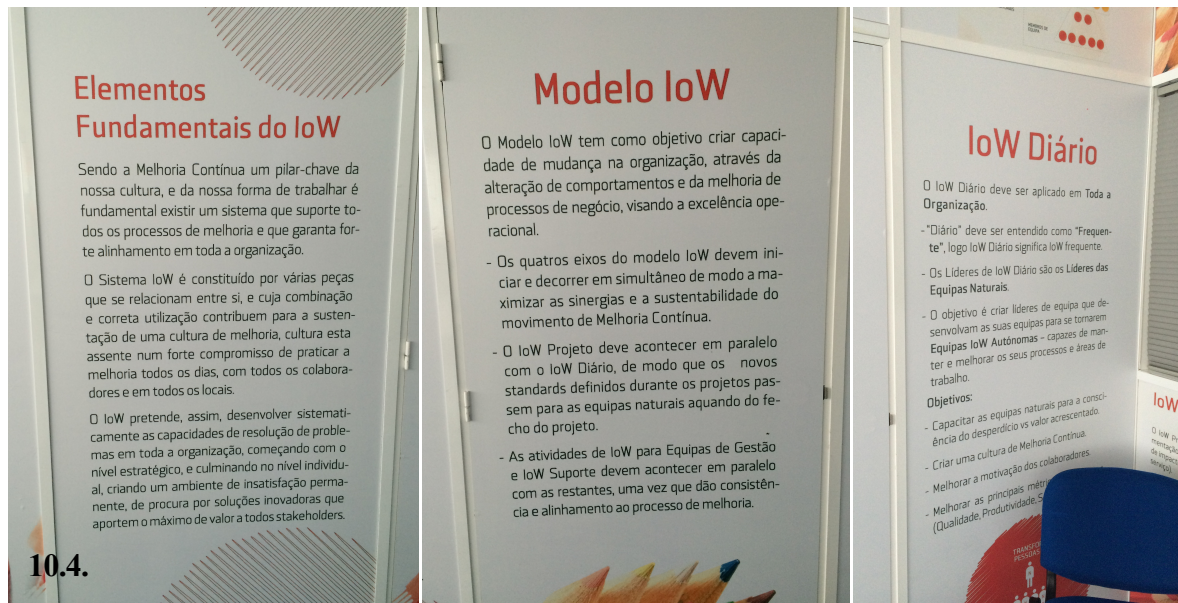


Picture 9: Logo SIMk, SIM and IoW.



Pictures 10: The walls at Continente de Telheiras' backstage:





10.1. In the main hallway: no project works without support from the top, and Kaizen is no exception – so there is an illustration of the responsibilities in IoW at Sonae MC.

10.2. In the main hallway: walls display Kaizen related concepts, tools, principles...

10.3. In the rooms: the light switches provide the information of the lights they turn on.

10.4. In the rooms: one of the rooms dedicated to training displays descriptions of the IoW model.

Diagram 2: IoW Model.

